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DEPT FOR IO/UNP; L/DL

E.O. 12958: N/A

TAGS: OFDP BU UN

SUBJECT: NYC WANTS TO COLLECT PROPERTY TAX ON BULGARIAN STAFF RESIDENCE

¶1. Unclassified - entire text.

¶2. Bulgarian Minister Plenipotentiary Branimir Zaimov called on USUN Host Country and Legal Officers to describe two meetings between his Mission and the City of New York, which wants to negotiate a settlement with the Mission on USD 35 million it says Bulgaria owes in back property taxes, penalties and interest on the Mission's staff residence on East 86th Street in Manhattan. The City's Deputy Commissioner for the United Nations has asked Bulgaria to make a settlement offer quickly, failing which the City would take the mission to federal court. Zaimov said the GOB will not authorize the Permrep to negotiate a settlement, but instead instructed the Mission to meet with USUN on this issue. The Bulgarian Embassy in Washington has reportedly been instructed to raise the issue in the Department as well.

¶3. The building contains fifteen apartments, thirteen of which are occupied by diplomats and staff of the Permanent Mission. The other two apartments serve as the residences of officers from the Consulate General. In a January 9 diplomatic note sent by the Bulgarian Mission to the New York City Commission, the Mission states "The position of the Permanent Mission of Bulgaria on estate (sic) taxes on property owned by foreign states or diplomatic missions is in conformity with international diplomatic law and practice, as well as the US Government's practice. In the conduct of their bilateral relations, both Bulgaria and the U.S. Government have always abided by the overriding principle that the conduct of diplomatic relations should be tax-free and not a basis for treasury-to-treasury transfers (Ref Diplomatic Note No. 199 by the Embassy of the USA in Sofia from June 5, 2001)". In closing, Zaimov opined that the Department of State should be actively protecting, in writing to the City, the interests of his Mission and other UN Missions in New York that find themselves in a similar situation. Zaimov added that neither the Bulgarian Government nor Bulgarian public opinion distinguishes between New York City and the federal government in this regard, and at some point in the near future backlash could possibly turn severe.

KHALILZAD